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THE CIA IN TRANSITION

Casey Strengthens Role Under 'Reagan Doctrine'

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When the Soviet Union shot down a Korean Airlines plane in September 1983, an angry President Reagan told CIA Director William J. Casey that the United States should send U.S.-made antiaircraft missiles to Afghanistan to help the rebels shoot down a few Soviet military aircraft in retaliation.

Casey was willing, but the plan was never approved, in part because of a reluctant Central Intelligence Agency bureaucracy, according to one source. Some top CIA officials argued that introducing U.S. weapons into that conflict would escalate it dangerously, end any possibility of "plausible denial" of U.S. involvement for Washington and alienate Pakistan, the main conduit for covert American aid to the rebels.

Now, with the decision to begin supplying U.S.-made Stinger antiaircraft missiles to the rebels in Angola and Afghanistan, the Reagan administration apparently has dispensed with such cautionary diplomacy. In so doing it has thrust the CIA into a far more public role as the lead agency in carrying out the United States' secret diplomacy.

This stepped-up commitment, under what some administration officials have called the "Reagan Doctrine," is dedicated to the president's vision of effectively supporting anticommunist "freedom fighters" in their struggle against Soviet-backed Marxist governments in the Third World.

An earlier article in this occasional series examined the evolution and debate over the "Reagan Doctrine." This one focuses on the role of the CIA in implementing that doctrine and the agency's remarkable growth during the tenure of Casey, the former Reagan campaign manager turned spymaster.

Casey's influence, both in rebuilding the CIA and as a trusted counselor to the president, has made him a critical and sometimes controversial player in the administration.

During his five years as CIA director, the intelligence budget has grown faster than the defense budget and the agency has rapidly rebuilt its covert-action capabilities with a goal of restoring the prestige of the CIA's Directorate of Operations. The "DO," as it is called, suffered a series of purges and investigations during the 1970s and its image was smeared by disclosures of past assassination plots, use of mind-altering drugs and spying on U.S. citizens.

Since that time, a new generation of senior managers has ascended to the top of the CIA, and they in general have been a more cautious breed, eager to avoid risky operations that would embarrass the agency if disclosed

But Casey is not a prisoner of that past.

He is one of the anti-Soviet "activists" in the top echelon of an administration that has promoted stepped-up U.S. involvement in the struggle to "roll back" recent Soviet gains in the Third World. While supporting the CIA's more cautious career bureaucracy, Casey also has moved quietly—sometimes in his political channels—to prepare his agency for a more aggressive role in countering Soviet influence in the Third World.

In theory, Casey serves as the czar of all U.S. intelligence agencies: the CIA, National Security Agency (NSA) and Defense Intelligence Agency (DIA). But in practice, three-quarters of the intelligence budget is spent by the Pentagon, leaving him as the titular head of a divided community.

His weakest performance, according to a number of officials, has been in living with congressional oversight. Casey's pugnacious style has at times led to confrontations with the House and Senate intelligence oversight committees. Such senior members as Sens. Barry Goldwater (R-Ariz.), David F. Durenberger (R-Minn.), Patrick J. Leahy (D-Vt.) and Rep. Lee H. Hamilton (D-Ind.) have challenged Casey's way of doing business.

Some in Congress have criticized the CIA director for politicizing the agency and its intelligence reports to promote the administration's goals in Nicaragua and elsewhere in the Third World. More than once, according to sources, Casey has angrily rejected CIA analyses that did not mesh with the anti-Soviet pronouncements of White House policy-makers and speech writers.

One key senator has said that relations between Casey and the committees are at an all-time low. The penalty for Casey could come in the next two months as the committees prepare to make the largest cuts in the intelligence budget since the Carter administration.

Some officials see Casey's most formidable challenge in Reagan's second term as facing severe budget cuts mandated by the Gramm-Rudman-Hollings deficit-reduction act. This comes as the U.S. intelligence community is projecting multibillion-dollar outlays for a new generation of high-technology spy satellites that some officials say are badly needed to guard U.S. interests until the end of the century.

Some critics charge that Casey is 40 years out of touch with intelligence management and shows obsessive interest in mounting covert operations in the style of the World War II Office of Strategic Services, where he cut his teeth on clandestine warfare under Gen. William J. Donovan. His critics point out that these were tactics of a bygone era. The country was at war; the more covert operations the better.

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"Casey loves covert operations," according to one congressional overseer. "He'd mount a covert operation in the Vatican if he could."

Among members of the White House staff, Casey is often disparaged as alternately clownish and conniving. His speaking style and his sometimes sleepy demeanor in meetings have earned him the sobriquet of "Mumbles." One official once joked that Casey is the only CIA director who does not need a scrambler on his telephone.

Yet Casey's role at the policy table is not discounted, in large part because of his close relationship with the president and the virtually identical outlook the two men share on the global Soviet threat.

"Policy is really made by very few people in this administration," said one influential member of Congress, "and Casey is one of them."

Casey has separate weekly breakfast meetings with Secretary of State George P. Shultz to coordinate intelligence collection and foreign policy goals and Defense Secretary Caspar W. Weinberger to iron out the competitive demands of military intelligence with those of the CIA and State Department.

Several officials familiar with his leadership assert that he has logged more miles traveling around the world than any previous CIA director. Just this month, Casey toured Middle East and African countries, meeting with foreign officials and CIA station chiefs as the first new covert aid shipments were in transit to Angolan rebels.

Signs of the CIA's remarkable growth and transformation are as evident as the twin seven-story office additions at the agency's Langley headquarters, which will house the swelling payroll of analysts and consolidate in 1.1 million square feet of new offices the thousands of CIA employes scattered around metropolitan Washington.

The agency today commands roughly 15 percent—$2.5 billion to $3 billion, according to sources—of the more than $24 billion intelligence budget this year. In five years, it has had three deputy directors and four directors of the clandestine service, which supervises both covert paramilitary operations as well as the traditional "clandestine-collection" activities of CIA officers and agents.

The rapid buildup has strained the agency's ability to recruit and screen quality candidates for undercover work from among an estimated 250,000 applicants annually. One sign of strain, according to some congressional critics, was that the CIA prepared relatively new and untested CIA officer Edward Lee Howard for a sensitive assignment in Moscow in 1982. Howard, hired in 1981 after a polygraph exam revealed past drug use, was later charged with espionage.

The pressures arising from changes in administration policy and the agency's growth have been felt even at the top of the CIA.

Last month, the agency announced the retirement of John N. McMahon, a 34-year CIA veteran who left his post for "personal reasons." Sources said McMahon was the main voice of caution against CIA involvement in large-scale covert paramilitary operations that could provoke public opposition, invite congressional criticism and bring news media exposure to the agency. His departure, some officials said, removes the last obstacle in the top ranks of the CIA to a more activist agency role.

This week McMahon will be replaced by Robert M. Gates, 42, regarded as a Casey favorite. A Soviet specialist, Gates served as a special assistant on the National Security Council during the Carter administration and returned to CIA as Casey's special assistant in 1981.

Much of the CIA's personnel growth—as many as 3,000 new positions—has gone toward beefing up the Directorate of Operations, where spy networks are managed and where covert action is planned among paramilitary experts in the International Affairs Department.

The CIA's paramilitary arm has become a large and sophisticated weapon available to the president, according to Sen. Malcolm Wallop (R-Wyo.), one of a handful of Senate conservatives who have been urging the administration to unleash its covert forces against terrorist groups and Marxist regimes.

But even as this capability is being restored, a new interagency turf battle has broken out over which agency should run it. Noel C. Koch, the deputy assistant secretary of defense for international security affairs, said in an interview that both the CIA and Defense Department want a role in paramilitary operations, but that both are suffering from bureaucratic inertia.

At the CIA, Koch said, a generation of top officials, led by McMahon, has been reluctant to exercise the agency's paramilitary capabilities out of fear of failure, political risk or the embarrassing consequences of getting caught. "The CIA is internally divided between those affected by Vietnam and the new activists," Koch said.

At the Defense Department, on the other hand, the military services see their primary mission as preparing for conventional and nuclear war and, therefore, resist attempts by its civilian leadership to foist upon the Pentagon the task of training and equipping paramilitary forces, according to Koch.

"Neither CIA nor Defense alone can implement the Reagan Doctrine," said Michael Pillsbury, assistant undersecretary of defense for policy planning. "Horror of horrors," he added, "we have to work together."

As the lead intelligence agency, the CIA is in charge of analyzing the mass of information that comes in daily from human agents and from U.S. spy satellites and turning it into useful information for the president and his national security affairs advisers. This requires an army of professional intelligence officers grouped within the CIA's Directorate of Intelligence.

One of Casey's first initiatives in 1981 as CIA director was to beef up the productivity of this branch under Gates' direction. His goal was to improve the number and quality of the National Intelligence Estimates (NIEs), the basic, detailed intelligence reports on political, economic and military trends and trouble spots around the world.

But internal critics have voiced concern that Casey and Gates have sought to impose their globalist view of the Soviet threat in many countries and regions. For example, in 1982 Casey ordered an intelligence review of the African continent, according to one official.

When the rough draft came to his desk, it included scant reference to Soviet interests in Africa and concentrated on the indigenous problems of agriculture, education, poverty and development. Casey was reportedly incensed at the draft and replaced the analyst with another senior official whose well-known views on Soviet subversion in the Third World dramatically revised the tone and conclusions of the intelligence report.

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The final product was a CIA study that "reeks of Moscow's footprints in Africa" and largely ignored indigenous problems, according to this official. A similar dispute over the intelligence estimate for Mexico erupted in 1984 when analyst John Horton resigned his CIA post, charging that Casey had unduly politicized its conclusions.

But Casey has also been credited with a number of innovations that have made intelligence forecasts more crisp and responsive. One is the Weekly Watch Report on trouble spots around the globe. Another is an annual report in graphic form that ranks countries according to their importance to U.S. policy interests and also ranks them according to the likelihood that they may suffer "surprise events" of political or economic instability.

One Casey victory over his bureauracy, according to sources, has been the inclusion of an "intelligence gaps" footnote to each NIE, distinguishing for the reader which conclusions are based on hard information and which are speculative. In many cases, these "gaps" sections candidly state that the CIA has no agents or sources for information in key foreign governments, political parties and military commands. One source said this innovation was achieved despite the traditional reluctance of the clandestine service to reveal anything about sources.

Nonetheleless, the quality of CIA estimates is hotly disputed. Its reporting on the deteriorating situation in the Philippines last year was generally regarded as outstanding, although Casey was among the last of Reagan's advisers to counsel the abandonment of president Ferdinand Marcos, according to officials involved in the controversy.

Recent CIA estimates on Soviet military expenditures, missile development and oil production, criticized at first, also have stood the test of time. The most recent estimates on Mexico also carefully tracked corruption and economic problems there.

But some congressional and outside critics say CIA reports for the White House are often politically motivated. They charge that Casey has damaged the agency's credibility by producing flawed or incomplete analyses to sell the president's controversial policy toward countries like Nicaragua.

Among the examples cited are the White Paper in 1981 on arms smuggling through Nicaragua to leftist guerrillas in El Salvador, later challenged by the House intelligence committee; a report in January exonerating the U.S.-backed counterrevolutionaries of atrocity charges, and another report, passed out by Casey at a congressional leadership meeting at the White House, on an alleged "disinformation campaign" here by Nicaragua's ruling Sandinistas.

Durenberger, chairman of the Senate Select Committee on Intelligence, has criticized Casey for failing to give agency analysts "a sense of direction" about what the U.S. government needs to know and faulted its reporting on such widely different countries as South Africa and the Soviet Union.

Under pressure from Durenberger, the CIA has produced for the first time a national intelligence strategy that attempts to give the agency more direction and a sense of national priorities. But critics say the CIA and the vast intelligence community under Casey still fall far short of giving the president and his national security affairs advisers the kind of comprehensive and penetrating information they need in today's world, where terrorism has become a more immediate threat than a Soviet nuclear attack.

CIA defenders reply that even if the $24 billion intelligence budget were doubled, it still would not accommodate all of the satellites, listening posts and undercover spies Casey and his agency chiefs would need to provide that kind of blanket and "real-time" coverage of the world 24 hours a day.

Some CIA analysts charge that the Pentagon and military services hog the satellite systems for their tactical intelligence needs, leaving CIA analysts without the photos, radio intercepts and spy reports they need to make timely judgments on hot spots.

And, finally, due to the increasing need for security against espionage and leaks, intelligence "consumers" often do not know the source of the information they receive and seldom give feedback to the intelligence "producers" on whether the U.S. government is getting its money's worth for the vast array of technology and agent networks it deploys around the globe.

Staff writers Charles R. Babcock and Walter Pincus contributed to this report.

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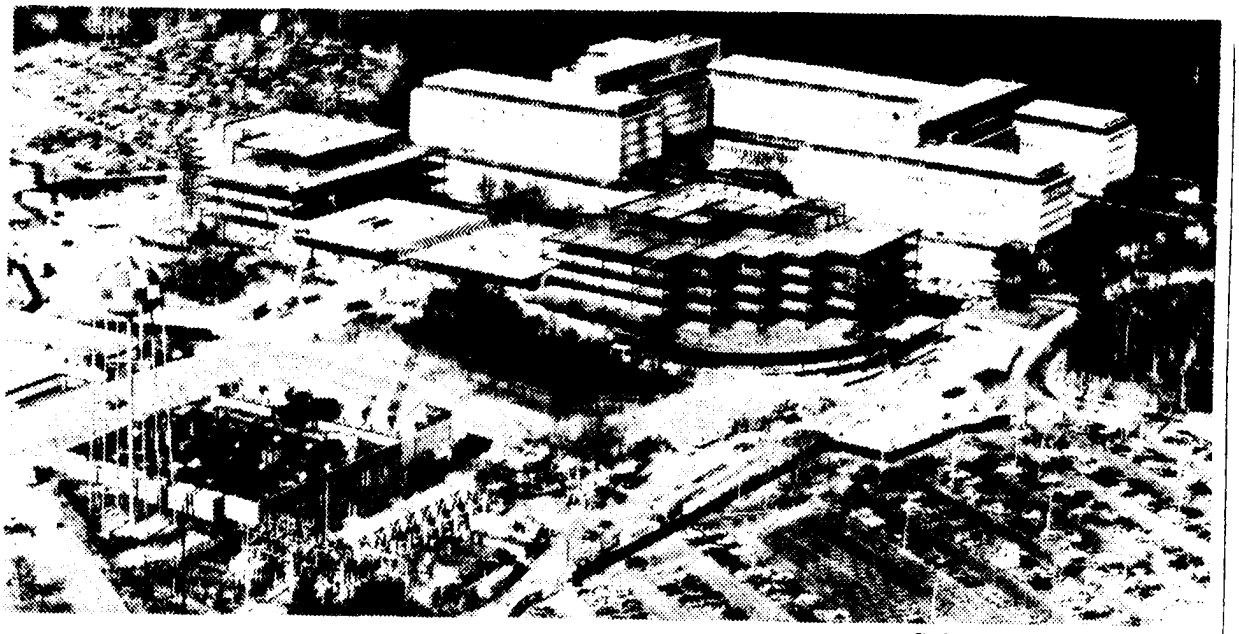

BY JOHN McDONNELL—THE WASHINGTON POST

Twin seven-story office additions under construction at the Langley headquarters are indications of the agency's growth.